

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 AF-10 EA-10 EUR-12 NEA-11 OIC-02 /169 W
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P 071920Z JUN 78
FM AMEMBASSY BRASILIA
TO SECSTATE PRIORITY 7798
USMISSION GENEVA
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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FOR MTN

EO 11652: N/A
TAGS: ETRG, BR
SUBJ: BRAZILIAN PARTICIPATION IN GATT TALKS

1. SUMMARY. ACCORDING TO NEWSPAPER REPORTS, THE BRAZILIAN DELEGATION TO THE CURRENT GATT TALKS IN GENEVA WILL PARTICIPATE ACTIVELY IN THE NEGOTIATIONS AND MAKE CONCRETE PROPOSALS. FOLLOWING SUB-GROUP ON TRADE MEETING IN MAY, A DECISION WAS TAKEN AT THE HIGHEST LEVEL OF THE GOB TO ATTEMPT TO OBTAIN POSITIVE BENEFITS FOR BRAZIL THROUGH ACTIVE PARTICIPATION. ACCORDING TO GOB SOURCES, DELEGATION WILL SUBMIT SUPPLEMENTAL REQUEST LIST AT THE GATT MEETINGS. END SUMMARY.

2. BRAZILIAN NEWSPAPER REPORTS FRIDAY JUNE 3RD, THROUGH MONDAY, JUNE 5TH, PROBABLY BASED ON BRIEFINGS GIVEN BY DEPARTING DELEGATION MEMBERS, STRESSED THAT BRAZILIAN DELEGATION PLANS TO TAKE AN ACTIVE ROLE IN THE NEGOTIATIONS AND TABLE CONCRETE PROPOSALS.

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ACCORDING TO AN ACCOUNT IN THE JUNE 3RD JORNAL DO BRASIL, SINCE THE SUB-GROUP ON TRADE MEETING IN MAY, A DECISION "ADOPTED AT A PRESIDENTIAL LEVEL" HAS ASSURED THAT BRAZIL WILL PLAY AN ACTIVE ROLE IN THE GENEVA TALKS AND ALLOWED BRAZILIAN TRADE AUTHORITIES TO DEVELOP A FIRM POSITION ON TARIFF CONCESSIONS. THE ARTICLE CONTINUES THAT GOB OFFICIALS NOW SEE INDICATIONS THAT BRAZIL COULD RECEIVE BENEFITS FROM AN MTN ACCORD AND HOPE

TO TAKE ADVANTAGE OF DIFFERENCES BETWEEN THE US, EEC, AND JAPAN TO ADVANCE THE BRAZILIAN POSITION. THE ARTICLE CONCLUDED BY CITING DIPLOMATIC SOURCES TO THE EFFECT THAT BRAZIL MUST EXPECT SOME SORT OF MODIFICATIONS OF BRAZILIAN COMMERCIAL POLICY IN ORDER TO COMPLY WITH NEW COMMERCIAL REGULATIONS TO BE NEGOTIATED IN GENEVA. THE ACCOUNT COMMENTED THAT CACEX (THE FOREIGN TRADE AGENCY OF THE BANK OF BRAZIL) IS ALREADY CONVINCED THAT BRAZIL'S FOREIGN TRADE POLICY NEEDS TO BE REFORMULATED TO CONFORM WITH THE STAGE THAT BRAZIL HAS REACHED IN INTERNATIONAL COMMERCE. OTHER NEWSPAPER ARTICLES COMMENTED DIRECTLY ON THE BRAZILIAN POSITION IN SPECIFIC AREAS OF THE GATT TALKS.

3. ARTICLE XXVIII - THE JORNAL DO BRAZIL OF JUNE 4TH REPORTED THAT THE BRAZILIAN DELEGATION WILL NEGOTIATE REDUCTIONS IN TARIFFS AS COMPENSATIONS FOR CONCESSIONS WITHDRAWN UNDER THE WAIVER ARTICLE; HOWEVER, THESE REDUCTIONS WILL NOT NECESSARILY EQUAL THE VALUE OF THE WITHDRAWN CONCESSIONS. A GOB SOURCE WAS QUOTED AS SAYING "AS SOON AS WE RESOLVE THE PROBLEMS OF LIST 3 (IN THE GATT TALKS) WE WILL GAIN GREATER CREDIBILITY IN THE MTN NEGOTIATIONS".

4. GOVERNMENT PROCUREMENT - THE JORNAL DO BRAZIL JUNE 3RD QUOTED HEAD OF MTN DELEGATION JOSE BOTAFOGO THAT BRAZIL COULD ONLY SUBSCRIBE TO AN INTERNATIONAL CODE ON GOVERNMENT PROCUREMENT IF IT CONTAINS SPECIAL AND DIFFERENTIATED TREATMENT FOR LDC'S. HE CONTINUED THAT UNLIKE DEVELOPED COUNTRIES THAT USE GOVERNMENT LIMITED OFFICIAL USE

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PROCUREMENT TO OBTAIN MATERIALS FOR SOCIALLY NECESSARY PROJECTS, DEVELOPING COUNTRIES MUST USE GOVERNMENT PURCHASES AS AN ESSENTIAL TOOL IN NATIONAL DEVELOPMENT POLICY.

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5. TARIFF REDUCTIONS - ACCORDING TO THE JORNAL DO BRAZIL, JUNE 2ND, THE BRAZILIAN DELEGATIONS WILL NOT PARTICIPATE IN A GENERAL FORMULA CUT SUCH AS CONTEMPLATED BY DEVELOPED NATIONS. IT WILL, HOWEVER, ATTEMPT TO NEGOTIATE A BINDING OF TARIFFS AT A PERCENTAGE RATE SEVERAL TIMES HIGHER THAN EXISTING RATES. ACCORDING TO THE ARTICLE, THERE IS OPPOSITION FROM THE PROPONENTS OF AN IMPORT SUBSTITUTION DEVELOPMENT STRATEGY TO THE BINDING OF TARIFF RATES AT ANY LEVEL. THESE IMPORT SUBSTITUTION PROPONENTS ARGUE THAT TARIFFS SHOULD NOT BE BOUND BECAUSE IT IS IMPOSSIBLE TO FORESEE IN WHICH INDUSTRIES BRAZIL WILL WANT TO PURSUE IMPORT SUBSTITUTION IN COMING DECADES.

6. EMBASSY COMMENT. IN DISCUSSION WITH ECONOFF, JOSE MEDEIROS (DEPUTE CHIEF OF THE COMMERCIAL POLICY DIVISION IN THE FOREIGN MINISTRY) CONFIRMED THAT A DECISION HAD BEEN TAKEN TO PARTICIPATE ACTIVELY IN THE MTN (HE DIDN'T SAY AT WHAT LEVEL) AND THAT THE BRAZILIAN DELEGATION PLANS TO PRESENT CONCRETE PROPOSALS IN GENEVA. HE WARNED, HOWEVER, THAT THESE PROPOSALS ARE "TENTATIVE" IN THE SAME SENSE AS ALL PROPOSALS IN THE MTN.
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MEDEIROS ALSO MENTIONED THAT THE BRAZILIAN DELEGATION PLANS TO SUBMIT SUPPLEMENTAL REQUESTS AT TALKS, ALTHOUGH THE DECISION TO PRESENT THESE REQUESTS WILL BE TAKEN IN GENEVA ACCORDING TO THE SITUATION AT THE TIME.

7. DURING A MEETING WITH THE AMBASSADOR, JUNE 6, MINISTER PROENCA ROSA EXPRESSED OPTIMISM ABOUT US-BRAZILIAN TLKS IN THE MTN; HE BELIEVED THE US AND BRAZIL WOULD COME OUT "ALL RIGHT" IN THE TRADE AREA. THE TWO SIDES WOULD NOW NEGOTIATE AT THE PRODUCT LEVEL IN GENEVA; AND HE WAS CONFIDENT THAT PROGRESS WOULD BE MADE ON A MULTILATERAL CODE DURING DORNELLES' FORTHCOMING VISIT TO WASHINGTON.
SAYRE

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